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SUBJECT: Albanian Railways: Going Nowhere Slowly

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SENSITIVE BUT UNCLASSIFIED - PLEASE TREAT ACCORDINGLY

11. (SBU) SUMMARY: Prime Minister Sali Berisha's recent statements on the need for a rail connection between Albania and Kosovo as well as Minister of Economy Dritan Prifti's comments to PolOff in support of the privatization of Albania's railroads seem to demonstrate a renewed interest in the country's most neglected form of transportation. In reality, however, these ambitious plans appear to be more wishful thinking than concrete proposals for action. Even the vaunted "Corridor 8" seems to be little more than a dream according to GOA officials, who say that the EU and the South East European Transport Observatory (SEETO) has to date only produced "lots of paper" and no results. Sadly, Albania's rail sector appears to be caught in a vicious cycle - the GOA can't rebuild the sector without substantial private investment, but no one appears willing to invest unless the government moves to improve the railroads first. END SUMMARY.

"Industrial Archaeology"

12. (U) Despite recent public statements from Prime Minister Sali Berisha concerning updating the national railway system, conversations with working level officials indicate that the GOA and foreign investors have little appetite for making the investments necessary to improve the railways. According to the Albanian Ministry of Transportation, Albania's dilapidated railway network has a total length of 278 miles of standard gauge tracks. The national railroad company, Hekurudha Shqiptare (HSH), is the sole owner of the Albanian rail network. After the first standard gauge tracks were laid in 1947, the railway was heavily promoted by the communist regime as a main form of transportation for the Albanian people, who were prohibited from owning personal vehicles. However, with the fall of communism in the early 1990s and the subsequent scramble for personal automobiles, the railways became even more neglected.

13. (U) The rail network is not electrified, meaning HSH's declared inventory of 66 passenger cars and 225 freight cars are pulled by 25 diesel-powered locomotives, all Czechoslovakian T669 engines that were first built in 1966. These ancient machines would seem more at home in a railroad museum than an actual rail yard, yet are sadly representative of the state of Albania's rail system. The poor track conditions mean trains are often limited to traveling at no faster than 25 mph (despite the "official" speed limit being 50 mph), leading to extremely long travel times and inefficient use of the already rundown train cars and diesel engines. Safety is also a glaring concern, as Albania does not have an advanced signaling system in place to coordinate trains. Rather, it relies on a radio-based system to keep the network running "smoothly" and avoid accidents. The rail network's sole international link is with Montenegro by a single border crossing at Han i Hotit, but the crossing is limited to freight shipments only.

"We Need International Connections to Survive"

14. (SBU) In a meeting with PolOffs, General Director of Transport Ervin Minarolli did not attempt to paint a rosy picture of the railroad situation. Following up on Minister Prifti's remarks on privatization, Minarolli said that the Albanian government had received recent offers by Estonian and Czech companies, but they were deemed unqualified. (NOTE: In a separate meeting, Prifti told PolOff that an Israeli company had expressed interest as well. END NOTE). Minarolli said that the majority of the Ministry of Transportation's budget has been going towards road construction, notably the USD 1.77 billion Durres-Kukes road. Minarolli stated that with the low rail passenger traffic in Albania it is impossible to justify upgrades on the basis of domestic transportation alone. The Tirana-Durres route remains the most trafficked line in the country for passengers, but even that line does not have the volume to be profitable for potential investors. Private cars continue to be the most popular form of transport for Albanians. Due to this lack of interest in passenger travel, Minarolli stressed that international connections are vital to the health and growth of Albania's railroads. He cited the period of 2007-2008 as supporting the highest ever volume of freight transportation between Montenegro and Albania carried along the rail route that connects the two countries. However, he was quick to point out that this singular border crossing does not have the capacity to deal with the expansion of trade needed to finance improvements to the line. Rail connections with other neighboring states, as well as an expansion of the Montenegrin line, are necessary if Albania wishes to market itself as a country with great potential for rail infrastructure investment.

15. (SBU) The revitalization of the Albanian railroads has mainly fallen under the auspices of the South East European Transport Observatory's (SEETO) Core Railroad Network Development Plan. Albania's main transportation lines form a critical part of Corridor

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8 within the Development Plan, linking Italy to Macedonia and Greece. In addition, Albania's road and rail system lie on Route 2 of the SEETO Core Network, which runs from Durres to Podgorica in Montenegro. Part of the development plan for Corridor 8 requires the construction of two additional tracks running from the western Albanian city of Pogradec across the border into Macedonia and Greece, effectively linking the countries by rail. According to the 2009-2013 SEETO Five Year Multi Annual Plan, at least 33 percent of the tracks that make up Corridor 8 between Albania and Macedonia are in "poor" condition (NOTE: 34 percent are classified under N/A. END NOTE). In addition, 83 percent of the 89 miles of tracks between Durres and Podgorica are classified as "poor," further reinforcing the desperate need for reform and development if Albania hopes to get its rail sector off the ground again.

16. (SBU) Commenting on the role of SEETO in the development of the Albanian railroads, Minarolli stated that Albania has worked closely with the organization, but has found that SEETO has "only produced paper." Without more attention being placed on Corridor 8 expansion by EU members such as Italy and Bulgaria there will never be enough interest or money to prioritize the Albanian transport sector for reform. On the subject of the development plans themselves, Minarolli noted that the Albanian network extends to within 2 miles of the Macedonian border, offering hope to an eventual link with its neighbor to the east. However, he revealed that the nearest Macedonian railway is 37 miles away from the Albanian border, casting real doubt on the rapid realization of any of SEETO's development plans. Minarolli was blunt in recognizing all of SEETO's plans as long term projects, further reinforcing the lack of priority being placed on Albanian railway development. He acknowledged that it will be many years before Albania can acquire the funding necessary to even begin working on any of these railroad projects.

"Lack of money, lack of interest, lack of everything"

17. (SBU) It is clear that Albania needs a boost from the EU if it wishes to get its transportation projects on track. Minarolli said

that Albania is working closely with the EU, especially through the development of the Transport Community Treaty, to acquire the backing for an overhaul of the railroad network. This proposed treaty would provide a framework for the planning and implementation of reforms and investment in the transportation networks of the Western Balkans in addition to facilitating market access between regional partners and with the EU. Minarolli lamented, however, that EU funds are not forthcoming. Yet despite a lack of available EU investment, Minarolli said that the European Commission has been placing pressure on Albania to increase its long term investment, especially in the transportation sector, if it wishes to gain candidate status for EU accession. Due to this pressure, the Albanian government has begun to review its railroad code in preparation for reform. Minarolli said that improvements to this code will facilitate the entrance of private operators to the Albanian network, create a safety authority for railroads, and prepare the way for infrastructure improvements.

18. (SBU) In the end, it all comes down to money. Minarolli admitted that any infrastructure improvement is almost prohibitively expensive. The government budget for railroads amounts to around USD 6 million per year of subsidies with USD 880,000 of that amount going towards investments in minor infrastructure improvements and maintenance. Minarolli said a preliminary study underway to connect the Albanian railroad network to Porto Romano, the new port development project north of Durres, has yielded cost estimates of around USD 8 million per mile of rail. When asked about Prime Minister Berisha's call for a rail connection with Kosovo, Minarolli said there is no money available to fund the project and that it will remain a long term goal. Minarolli did not attempt to skirt the obvious questions of feasibility, freely admitting that there is no hope for any projects like these in the short term. His statements confirmed the inability of the Albanian government to spur growth in the railway sector, not just because of lack of interest, but because of lack of economic viability.

19. (SBU) COMMENT: Albania's railroad network is decrepit, inefficient, and as it stands, unprofitable. The main challenges facing its future development are its lack of infrastructure and lack of interest by investors due to little potential for profit. For now, the railways are stuck in a never-ending cycle: the absence of high-quality infrastructure means that massive investment is needed, but there are no groups willing to fund necessary upgrades because of the low economic viability of any project. As we were honestly told by GOA officials, there are neither the funds nor the interest to improve this sector in the short term. Hopes that the EU will be willing to invest more in Albania in the near future appear unrealistic as well. Barring a massive reversal of government or EU priorities, Albania's railroads will continue to languish.

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